California Behavioral Health Planning Council

Advocacy • Evaluation • Inclusion

# Adult Residential Facilities (ARFs)

Highlighting the critical need for adult residential facilities
for adults with serious mental illness in California.

February 28, 2018

The California Behavioral Health Planning Council (CBHPC) is under federal and state mandate to advocate on behalf of adults with serious mental illness and children with severe emotional disturbance and their families. The CBHPC is also statutorily required to advise the Legislature on mental health issues, policies and priorities in California. The CBHPC has long recognized disparity in mental health access, culturally-relevant treatment and the need to include physical health. The CBHPC advocates for mental health services that address the issues of access and effective treatment with the attention and intensity they deserve if true recovery and overall wellness are to be attained and retained.

## Acknowledgements

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# ADULT RESIDENTIAL FACILITIES

Addressing the critical need for ARFs for adults
with serious mental illness in California.

The primary purpose of this issue paper is to discuss the barriers to, and the need for, increasing access to appropriately staffed and maintained Adult Residential Facilities (ARFs)[1] in California for adults (including seniors) with mental illness. This is an effort to generate dialogue to identify possible solutions to those barriers.

> Adult Residential Facilities (ARFs) are non–medical facilities that provide room, meals, housekeeping, supervision, storage and distribution of medication, and personal care assistance with basic activities like hygiene, dressing, eating, bathing and transferring. This level of care and supervision is for people who are unable to live by themselves but who do not need 24 hour nursing care. They are considered non-medical facilities and are not required to have nurses, certified nursing assistants or doctors on staff. Residential Care Facilities for the Elderly (RCFEs) serve persons 60 years of age and older.[2]

In recent decades, California has made great efforts to shift away from institutional care toward community-based care and support. However, there are numerous stories across the state regarding the lack of appropriate adult residential facilities for individuals with serious mental illness who require care and supervision as well as room and board. Per the California Registry (California Registry, 2017), “Residential Care facilities operate under the supervision of Community Care Licensing, a sub agency of the California Department of Social Services.

In California in the early 1970's, the residential care system was established to provide non-institutional home-based services to dependent care groups such as the elderly, developmentally disabled, mentally disordered and child care centers under the supervision of the Department of Social Services. At that time, homes for the elderly were known as Board and Care Homes and the name still persists as a common term to describe a licensed residential care home. In the vernacular of the State, these homes are also known as RCFE's (Residential Care Facilities for the Elderly).

Residential care facilities are not allowed to provide skilled nursing services, such as give injections nor maintain catheters nor perform colostomy care (unless there is a credentialed RN or LVN individual working in the home), but they can provide assistance with all daily living activities, such as bathing, dressing, toileting, urinary or bowel incontinency care.”

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[1] Residential Care Facilities (RCFs) —are non–medical facilities that provide room, meals, housekeeping, supervision, storage and distribution of medication, and personal care assistance with basic activities like hygiene, dressing, eating, bathing and transferring. Residential Care Facilities for the Elderly (RCFEs) serve persons 60 years of age and older. This level of care and supervision is for people who are unable to live by themselves but who do not need 24 hour nursing care. They are considered non-medical facilities and are not required to have nurses, certified nursing assistants or doctors on staff.

[2] CA Code of Regulations (Westlaw), **§ 58032. Residential Care Facility definition (link)**

Due to ARF closures and lack of new facilities and/or adequate supportive housing options available, many individuals with mental illness are not able to obtain sustainable housing options in the community, within the appropriate level of care, following stays in acute in-patient treatment programs, hospitals, Short-Term Crisis Residential, Transitional Residential Treatment Programs and/or correctional institutions. This results in a "revolving door scenario" where people are discharged or released from one of the above and then are unable to find appropriate residential care or housing. Thus, another mental health crisis ensues, resulting in a return to high-level crisis programs, facilities, hospitals, jails/prisons or homelessness.

A robust continuum of community-based housing, including ARFs for adults with mental illness, is critically needed. ARFs are an essential component of this housing continuum, providing services and supports to meet a complex set of behavioral, medical and physical needs[3]. Along with this component, many of the alternative supportive housing options require additional resources to successfully provide community-based long-term housing for adults with serious mental illness.

A discussion of the critical need, the challenges to ARF viability, and ideas for discussion follow.

## I. THE CRITICAL NEED

In June 2016, the Advocacy Committee began its effort to explore the actual ARF bed count in the state. After receiving data from Community Care Licensing (CCL) at the California Department of Social Services (CDSS), the committee developed a brief survey to be completed by all 58 county Departments of Behavioral Health. The survey of need for ARFs was disseminated to the counties between September and November 2016. The following chart provides a summary of needs reported by 22 small, medium and large California counties. While the respondents listed represent only a portion of the state, it is clear there is a high need for this housing option for facilities that provide care and supervision in every county.

[3] Complex needs include medical (e.g. incontinence, Huntington's, diabetes, etc.), wheelchairs/walkers, criminal justice involvement, dual diagnosis (e.g. intellectual disability, substance use, dementia, etc.), sex offenders, brain injuries and severe behavioral problems

**ARF Needs By County[4] (Chart 1)**

907 beds currently needed, with 783 beds lost in recent years (22 Counties)

| County | Population[5] | Beds Needed | Beds Lost | Out of County[6] |
|---|---|---|---|---|
| Sierra | 3,166 | N/A | N/A | * |
| Colusa | 22,312 | ? | | * |
| Glenn | 29,000 | 0 | No | 22 |
| Amador | 37,302 | 10 | 0 | * |
| Siskiyou | 44,563 | N/A | 0 | Yes, not sure |
| Tuolumne | 54,511 | 4 | 0 | * |
| Nevada | 97,946 | 10 | 0 | ? |
| Napa | 141,625 | 18 | 8 | 22 |
| Shasta | 178,795 | 25 | 12 | 25 |
| Imperial | 184,760 | 10 | 0 | * |
| El Dorado | 182,917 | 25 | ? | 25 |
| Yolo | 212,747 | 40 | 0 | 13 |
| Santa Cruz | 274,594 | 100 | 0 | 20 |
| San Luis Obispo | 276,142 | 50 | 0 | 44 |
| Monterey | 435,658 | 20 | 6 | 45 |
| Tulare | 465,013 | 30-40 | 40 | yes |
| San Joaquin | 728,509 | 140 | 187 | 16 |
| San Mateo | 762,327 | 50 | 34 | * |
| Kern | 884,436 | 100 | 100 | * |
| San Bernardino | 2,127,735 | 40 | 246 | Left blank |
| Riverside | 2,331,040 | 200-300 | 50 | Unknown |
| Orange | 3,165,203 | 35-50 | 100 | Left blank |
| **TOTAL** | | **907** | **783** | |

The information presented above represents only 1/3 of the total counties in California. The number of ARF beds needed is large and must be addressed. Additionally, the chart shows a large number of people who could return home if there were appropriate housing options (i.e. ARF in their home county.). *The Out-of-County placement numbers are too small to publish, therefore County responses are replaced with an asterisk, to protect individuals from potential Health Information Portability and Accountability Act (HIPAA) violations.

## II. CHALLENGES

The question, 'Why are there so few ARFs available in California' must be answered before any solutions can be generated. The Advocacy Committee consulted with a number of experts in this industry and identified three key challenges.

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[4] Twenty-two of the fifty-eight counties responded by November 2016. See Attachment A

[5] Population estimates in the table above were obtained from the California State Association of Counties website on December 30, 2016. The information can be accessed at: http://www.counties.org/county-websites-profile-information

[6] This number indicated the individuals who have been placed in an RCF outside of their county of residence due to no beds being available within their home county.

1. **Financial**: The most apparent challenge to the viability of ARFs is financial. Due to the income level of individuals living in ARFs, they are not able to pay much to cover the costs for the housing, board and care/supervision. ARFs for adults with serious mental illness cannot survive financially on a small scale (under 15 beds) without substantial subsidies. For the most part, monthly rates charged by ARFs are driven by the amount of the Social Security Income/State Supplemental Payment (SSI/SSP) amounts paid to Californian's with disabilities and who are unable to work. The SSI/SSP payment, as sole source of payment for the individual residing in an ARF, is not sufficient to provide adequate income for the operation of a licensed ARF especially when some amount of the SSI/SSP payment is set aside for personal needs of the individual. Therefore, subsidies, often called "patches" are needed.

   On a larger scale, some residential care homes can be financially viable without additional subsidies, but that is dependent on the level of care provided to residents. Residents requiring higher levels of care and support will necessitate additional care providers and/or equipment resulting in increased operational costs. Rarely is the SSI/SSP amount sufficient to cover the costs. Even in a facility of 45 beds or more, a subsidy paid by the county in amounts ranging from $64/day to $125/day per resident may be required to maintain fiscal viability.

   To illustrate the financial challenges in real life, real time, three sample budgets are presented for a 6, 11, and 13 bed ARF in a very small northern county and a medium urban county. Jeffrey T. Payne, MBA, provided sample budgets for two facilities. The Willow Glen Care Center entered into contract with Trinity County in June of 2010 to operate an ARF in Weaverville, California to serve Full Service partners. This facility allows individuals, who have been placed out of county, to return home and live near family, friends and support. Trinity County maintains its focus on providing interventions to those individuals who are most in need of support and services. The first two sample budgets provided below represent the realities of small counties in meeting the housing needs of residents who cannot live on their own and who need a little more care and supervision. Note that similar budgets in larger, more urban counties would require augmented facility rental, lease or purchase costs as well as increased salary costs for staff resulting, oftentimes, in insufficient revenue to cover the operating costs.

**Example 1**

Adult Residential Facility Six-Person Sample Budget

Assumptions in Example 1: 6-bed facility licensed by the Department of Social Services, Community Care Licensing Division. Average Daily Census (ADC) of 6, Semi-private rooms. Facility Lease rate of $3000 per month (would likely be higher in larger urban areas). All variable expenses are based on a per client, annual cost.

| | |
|---|---|
| ADC: | 6 |
| Total Census: | 6 |
| Daily Rates | |
| SSI | 35 |
| Mental Health Patch | 155 |
| **TOTAL INCOME** | **416,100** |
| Expenses | |
| Activity Supplies | 1,182 |
| Contract Services | 126,000 |
| Facility Lease | 36,000 |
| Food & Supplies | 20,564 |
| Housekeeping Supplies | 2,190 |
| Insurance | 13,800 |
| Insurance - Worker's Comp. | 12,484 |
| Licensing & Certification | 2,520 |
| Maintenance & Grounds | 4,818 |
| Medical Expenses | 547 |
| Office Expense | 2,190 |
| Other Supplies | 2,190 |
| Payroll Taxes | 8,496 |
| Personnel Expense | 600 |
| Repairs | 2,852 |
| Staff Development | 2,400 |
| Telephone | 10,800 |
| Travel | 3,360 |
| Utilities | 30,000 |
| Wages | 111,061 |
| **TOTAL EXPENSES** | **$394,054** |
| **NET OPERATING INCOME** | **$22,046** |

**Example 2**

Adult Residential Facility Twelve-Person Sample Budget

Assumptions in Example 2: 12-bed facility licensed by the Department of Social Services, Community Care Licensing Division. Average Daily Census of 11 Semi- private rooms. Facility Lease Rate of $3000 per month. All variable expenses are based on a per client, annual cost.

| | |
|---|---|
| ADC: | 11 |
| Total Census | 11 |
| Daily Rates | |
| SSI | 35 |
| Mental Health Patch | 105 |
| **TOTAL INCOME** | **$562,100** |
| Expenses | |
| Activity Supplies | 2,168 |
| Contract Services | 126,000 |
| Facility Lease | 36,000 |
| Food & Supplies | 37,700 |
| Housekeeping Supplies | 4,015 |
| Insurance | 13,800 |
| Insurance - Worker's Comp. | 22,793 |
| Licensing & Certification | 2,520 |
| Maintenance & Grounds | 8,833 |
| Medical Expenses | 1,003 |
| Office Expense | 4,015 |
| Other Supplies | 4,015 |
| Payroll Taxes | 15,513 |
| Personnel Expense | 600 |
| Repairs | 5,179 |
| Staff Development | 2,400 |
| Telephone | 10,800 |
| Travel | 3,360 |
| Utilities | 30,000 |
| Wages | 202,790 |
| **TOTAL EXPENSES** | **$533,504** |
| **NET OPERATING INCOME** | **$28,595** |

Generally defined, a patch is an extra daily or monthly payment (subsidy), made to a residential care home operator, to cover the cost of extra services to a resident or to accept a resident who may be hard to place. In general, patches would not be Medi-Cal billable typically, related to extra care and supervision (See Attachment B). Patches range from a low of $15 to a high of $125/ resident/ day depending on level of service needed for the resident or difficulty of placement.

Adult Residential Facility Thirteen–Person Sample Budget
Assumptions in Example 3: 13-bed facility licensed by the Department of Social Services, Community Care Licensing Division. Average Daily Census of 13 semi-private rooms. Facility Lease Rate of $2533 per month. All variable expenses are based on a per client, annual cost. Note that unlike the prior two budgets, which also utilized the current SSI/SSP rate of $1026/month/client, this budget shows an annual net deficit of $399,668. Additionally, this budget contains the minimum level of staffing of 1.0 FTE onsite 24 hours/day, 7 days a week (4.5 FTE total) at very minimal wages of $15/hour plus benefits. Many facilities are unable to hire properly trained and experienced staff at $15-hour rate. This budget covers:

- *One FTE staff* to provide 1) Administrative management; 2) Services, such as activities/outings, life-skills training, grocery shopping and all purchasing, and transportation to healthcare appointments. Since one staff person must be at the facility at any time a resident is present, a second staff person is necessary to do shopping, errands, and resident transport, admissions documentation, and meal planning and to serve as the facility administrator.

Items not included:

- *Owner profit*. A modest owner profit is not included and would add approximately $20,000/year at 5%. Adding a 5% profit margin would increase costs by approximately $125/person/month.

Per this budget for a 13-person ARF, in order for the facility to break even, the resident fee would need to increase to $2805/month at 95% occupancy. That would be $1,779 more per person per month than the current rate allowed for SSI recipients.

# Residential Care Facility Sample Annual Budget (13 Person)

| Title | Amount | Comment |
|---|---|---|
| **Revenue** | | |
| **Resident Fees** | $160,056 | $1026/month for 13 residents at 95% occupancy |
| **Total Revenue** | **$160,056** | |
| **Personnel Expenses** | | |
| **Line Staff** | $182,000 | 4.5 Staff at $15/hour covers single coverage 7 days/week. Plus 1 FTE at 40 hours/week for administration/transport of clients to doctors, admissions, grocery shopping, etc. at $20/ hour. |
| **Landscaping** | $2400 | $200/month |
| **Relief Staff** | $15,600 | Fill-in for sick/vacation employees at 20 hours/week |
| **Total Wages** | $200,000 | Presumes 9 sick days, 14 vacation days, 8 holidays/employee/year |
| **Salary Related Expenses** | | |
| **Health/Dental/Life/Vision Insurance (HSA)** | $39,600 | $600 month/employee, prorated for part-time for 5.5 employees. Rate is for minimal insurance. |
| **Unemployment Insurance** | $1,482 | |
| **Worker's Compensation Insurance** | $13,836 | |
| **FICA/Medicare** | $15,116 | |
| **Total Salary Related Expenses** | $70,034 | |
| **Other Personnel Expenses** | | |
| **Training** | $2000 | |
| **Total Other Personnel Expenses** | $2000 | |
| **Total Personnel Expenses** | **$272,034** | |
| **Operating Expenses** | | |
| **Legal and Other Consultation** | $1000 | |
| **Household Supplies** | $10,000 | Cleaning, paper supplies, non-food, any recreational supplies, linens, towels, paper goods |
| **Office Supplies** | $2,250 | |
| **Computer/Office Furnishings** | $1000 | |
| **Utilities** | $20,238 | |
| **Maintenance – Building and Equipment** | $12,000 | Presumes that this line item includes furniture and appliance replacement |
| **Vehicle Maintenance** | $6,000 | Presume one vehicle for use at $550/month |
| **Food** | $40,880 | $8 person/day plus one staff eating |
| **Insurance** | $8,215 | |
| **Telephone/Internet/Cable** | $3000 | |
| **Printing and Postage** | 500 | |

| Title | Amount | Comment |
|---|---|---|
| **Licensing and Permits** | $1,711 | |
| **Property Taxes** | $6,000 | Presumes property purchased for $600,000 with $100,000 down payment |
| **Advertising** | 500 | |
| **Total Operating Expenses** | $113,294 | |
| **Rent or Loan Payments** | $30,396 | $500,000 loan for 30 years at 4.5% |
| **Total Expenses** | $415,724 | |
| **Total Net Income (Loss)** | **(-$255,668)** | (Revenue $160,056 minus Total Expenses $415,724 = Total Net Income Loss $255,668) |

2. **Community Resistance/Opposition** – New construction or attempts to obtain a use permit for a property to establish an ARF (required for ARFs that provide more than six (6) beds) are frequently confronted with "Not In My Backyard" (NIMBY) opposition from communities. The resistance often is successful which prevents new operators from obtaining required land use approvals to open ARFs larger than six (6) beds.

3. **Staffing** – Providing and retaining a trained and experienced staff can be a hurdle, requiring proper management, appropriate salaries and on-going training (equates to the "Financial Challenge" listed above.) Additionally, there are barriers in the regulations to hire peers. The policies and regulations governing ARFs need to be revised to include more robust training for staff and owners to better know how to work effectively with this complex and vulnerable population and how to maintain fiscal stability.

4. **Cost of facility** – The ability to purchase or rent a facility that would accommodate 13 beds at a cost of either $600,000 or a monthly rent of approximately $2500 is highly questionable outside of the Central Valley in California. The largest house for rent listed in Bakersfield, California in June 2017 was five (5) bedrooms at $1900/month. There were no houses listed for sale or rent over five (5) bedrooms. It is likely that a 13 bed or larger facility would need to be newly constructed which ratchets up the overall cost.

## III. IDEAS FOR DISCUSSION

1. **Tiered Level of Care System –** There could be tiered levels of care, with different licensing categories established to allow for higher rates to be paid to accommodate more care and supervision when required, for example, to meet the needs of individuals who are incontinent or non-ambulatory. The Department of Developmental Services Community Care Facility Reimbursement Rates[7] for consumers with developmental disabilities, offers four Service Level Tiers ranging from $1,026 to $7588 per consumer per month.[8] The California

[7] See Attachment C or go to Dept. of Developmental Services Reimbursement Rates.
[8] This includes the SSI/SSP pass through effective January 1, 2017.

Behavioral Health Planning Council will examine the feasibility of implementing a similar structure to meet the ARF needs for adults with mental illness.

2. **State Supplemental Payment (SSP) Rate** – Currently, ARF monthly fees are set by the maximum SSI/SSP rates for clients in non-medical out-of-home care. The state could consider varying levels of the state supplemental payments that would correlate to the tiered level of care to address the financial challenges faced by the ARFs in order to meet the needs of people who require this higher level of housing with care and supervision.

3. **Data** – Currently, the California Department of Social Services (CDSS), Community Care Licensing (CCL) Division serves this population "through the administration of an effective and collaborative regulatory enforcement system."[9] Although the CDSS/CCL collects data on the **types** of facilities, the data is not detailed enough to illustrate how the facilities are utilized and by whom. There is no way to extrapolate the number of behavioral health beds versus those specifically for substance use disorders versus individuals solely receiving Social Security benefits. The Legislature should consider mandating the Department to restructure its data collection to incorporate essential demographic needs. As a State, California should have a working baseline of the type of facilities along with the types of individuals utilizing those facilities. We really need to understand the breadth of the situation with which we are dealing.

## IV. CONCLUSION

The crisis of limited appropriate housing options for individuals living with serious mental illness has to be addressed. It is critical to engage in strategic long-term and concurrent planning to solve this crisis. The planning has to include persons with lived experience, vested community partners, and local, county and state government entities from a broad spectrum of interests (e.g. Behavioral Health, Health, Employment, Criminal Justice, Education, Rehabilitation, Aging, etc.).

It is in the best interest of adults with mental illness, and in the best financial interest of the State of California to end the "revolving door scenario." Adults living with serious mental illness, who are unable to obtain suitable housing in their communities with the appropriate level of care following stays in acute in-patient treatment programs, hospitals, Transitional Residential Treatment Programs and/or correctional institutions deserve better. The social and financial costs rise when individuals continually return to high-level crisis programs, facilities, hospitals, end up in jails/prisons or become homeless.

It is essential to provide appropriate community-based long-term residential options that include the necessary supports to address mental illness. As part of a robust supportive housing continuum, there is a critical need to have ARFs that are adequately financed

[9] California Department of Social Services, Community Care Licensing Division website

and staffed. With the number of older adults growing each year, this type of housing is paramount.

Addressing the financial, community and staffing challenges affecting ARF sustainability could require: 1) Changes to the current licensing structure to accommodate a tiered level of care system; 2) Increasing SSP benefit amounts to correlate to the tiered level of care; and 3) ongoing dialogue and strategic planning regarding siting of affordable and appropriate housing.